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LOS ANGELES TIMES
21 September 1986

Daniloff Affair: A Case History

How Superpowers Unwittingly Lurched Toward Confrontation

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WASHINGTON—When a Soviet citizen named Gennady F. Zakharov arrived in New York 45 months ago, alarm bells went off for U.S. counterintelligence agents.

As a physicist employed by the U.N. Center for Science and Technology Development, Zakharov was immediately presumed to be a Soviet spy.

Almost from the day the United Nations established its headquarters on the bank of the East River 37 years ago, Moscow has used U.N. positions by the hundreds as cover for espionage, a practice that through the years has created endless security problems for the United States.

Unwritten Rules

In Zakharov's case, it soon became clear that he was a particularly blatant example. Ignoring the unwritten rules that leave more advanced espionage work to agents with diplomatic immunity as part of Moscow's U.N. mission, Zakharov, U.S. officials say, launched boldly into the business of recruiting potential spies and pumping them for U.S. secrets.

"Zakharov was an eager beaver," a government source said. "He made several approaches that the FBI learned of as soon as he hit U.S. soil."

What followed—taken together with what went before in the ceaseless skirmishing between the U.S. and Soviet intelligence communities—has become a textbook example of how two powerful and mutually suspicious nations can find themselves lurching suddenly and unexpectedly into confrontation.

To U.S. officials, long rankled by the fact that the Soviets can operate freely here while Moscow's police state offers no similarly sheltered opportunity for U.S. agents, the course seemed clear: Zakharov and his masters had to be shown that such attempts to expand their spy network in this country would not be tolerated.

After carefully checking with higher authorities, as they are required to do before acting in such situations, FBI officials in New York issued orders for Zakharov's arrest on spying charges.

Unforeseen Results

"This wasn't something that was done by people who did not realize the foreign policy implications," one Administration official insisted. "A policy was in place. This was something done by the proper processes."

But two weeks after the Soviets' retaliatory seizure of U.S. News & World Report Moscow correspondent Nicholas Daniloff for espionage, it is also clear that neither side could foresee where the Zakharov case would lead or easily control its still-spreading circle of damage.

"Never in our wildest imagination did we expect the Soviets to grab a newsman and concoct a case against him," a U.S. official acknowledged last week, complaining that Moscow's quick seizure of Daniloff reflects "the complete ir-

rationality of the Soviet system."

Viewed in a wider context, there is a grim logic to the way in which the arrest of the relatively obscure Soviet U.N. employee touched off a seemingly unstoppable series of diplomatic escalations: the seizure of Daniloff in Moscow; a halt to the slow thaw in U.S.-Soviet relations that had begun earlier this year; an ominous increase in the credibility gap separating the two powers, with Soviet leader Mikhail S. Gorbachev publicly rejecting President Reagan's personal assurance of Daniloff's innocence; the suddenly cloudier prospects for a fall summit; and the carefully timed expulsion of 25 Soviet diplomats from the United Nations mission in New York.

'Completely Miscalculated'

Each side, proceeding from its own vision of reality and pursuing policies based on its own national interests, took steps that seemed prudent, even restrained, to itself but provocative to the other.

"I think the Soviets completely miscalculated. I think they thought we'd bluster a bit and then negotiate an exchange," said William C. Fuller, a historian and noted Russian scholar who teaches strategy at the Naval War College in Newport, R.I.

"To a very large degree, that's the history of U.S.-Soviet relations. You can't study the Cold War without realizing the information vacuum both sides are operating in."

The United States apparently miscalculated as well.

Despite the delicate state of U.S.-Soviet relations leading up to a possible summit, the Administration, in the words of one government source, viewed the Zakharov arrest as "a routine case" involving a spy who may have overreached himself.

Go-Ahead for Arrest

Even such a "routine" case involved high-level supervision. The FBI decision to arrest Zakharov was relayed to senior State Department officials and perhaps to Secretary of State George P. Shultz; to top intelligence-agency officials, and to the chairmen of the House and Senate intelligence committees. At the White House, John M. Poindexter, the President's national security adviser, gave the go-ahead for the arrest.

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The officials concluded that the benefits of arrest and prosecution, including letting the Soviets know that such spying efforts can and will be stopped, seemed to outweigh the possible risks, Administration sources said.

Similarly, the Soviets falsely believed that they could easily spring their agent from prison with a simple swap, even one employing a hastily collared American such as Daniloff.

The Soviets are widely believed to have taken the same tack in 1978, when they framed American businessman Francis Jay Crawford on black-market currency charges in an apparent attempt to force the release of two Soviet agents, Rudolf P. Chernyayev and Vladik A. Enger.

No one in the West knows with certainty how the Soviets view the Zakharov-Daniloff affair internally.

"You'd almost have to be on the Soviet side to figure out why they did it," one puzzled State Department official said.

But publicly, Gorbachev has accused U.S. hard-liners of deliberately exploiting the arrests to poison superpower relations, a charge greeted by denials in every corner of the Reagan Administration.

In Washington, the surprise at the sudden seriousness of the matter is almost palpable.

"I don't think anybody believed the Soviets would go to the bold act of arresting and charging an innocent American journalist," one senior Administration expert said. "They really have chosen to escalate it, not us."

Viewed through American lenses, the Zakharov case forced the Administration to deal with a Soviet citizen following what one government source called "the classic style" of espionage: "First a warm-up where he was getting unclassified information, and then he moves along with talk about money and secret information."

FBI Informed

In the case that led to his arrest, an FBI affidavit states that Zakharov approached a Queens College, N.Y., computer science student in 1983, professing to be a U.N. employee who would pay for "research time" on robotics and computer technology. The student, known by the code name "Birg," immediately informed the FBI and later met frequently with Zakharov, receiving money in return for supplying microfiches of unclassified data, much of it stolen from libraries.

When Birg went to work in September, 1985, for a Queens company that makes unclassified precision components for military aircraft engines and radars, Zakharov's requests shifted to documents from the company on its manufacturing. Last Jan. 18, the affidavit states, Zakharov instructed Birg to photocopy the first few pages of operating manuals for machines the company uses to make aircraft components.

Zakharov later struck a written espionage agreement with Birg during a meeting on a subway platform last May 10, the affidavit says. Birg agreed to obtain classified data for 10 years and be paid according to the quantity and quality of information he fed the Soviets.

Violated Espionage Laws

In the Reagan Administration's view, there were compelling reasons to arrest Zakharov the first time he violated espionage laws by seeking and receiving classified data from Birg.

Although at this point the FBI had Zakharov under surveillance for 45 months, postponing a climax to the case for a few more months, say, until a summit was over, was impossible without losing the chance of an arrest, one Administration official said. Once Zakharov made the request for classified material, Birg had to respond or Zakharov would slip off the hook.

"It wasn't us that called the timing," said one Administration official. "It was whoever was giving Zakharov's orders."

The FBI also feared that it might forever lose the chance to catch Zakharov in the act of taking secret documents if it let the first exchange with Birg pass, for it is common practice for agents to turn their sources over to more senior handlers with diplomatic immunity once the source has been lured into violating espionage laws. Moreover, Zakharov's visa expires next March, and he might have left at any time.

Such cases once were resolved with quiet expulsions rather than arrests, but since the Chernyayev and Enger cases in 1978, it has been official policy to arrest and try foreign agents who lack diplomatic immunity. To allow Zakharov to escape arrest, officials argue, would have broken precedent and opened up a vast new pool of Soviets in the United States for active espionage work.

"We can control diplomats through the [1982] Foreign Missions Act," one U.S. official added, "but we don't have the same de facto ability to control [Zakharov's] movements. He can fly to Toledo and meet with somebody and we have no way of knowing it unless we're watching him."

One official said this week that the authorization for the arrest was seen as "a difficult call." The Administration was aware of the potential for Soviet retaliation. Three weeks after Enger and Chernyayev were arrested in 1978, for example, the Soviets arrested businessman Crawford. The United States resisted any suggestion of a swap at the time, and Crawford later was expelled from the Soviet Union. The Soviets later traded five dissidents for the two spies.

Mirror-Image Reaction

But Administration officials also noted that several other East-bloc spies had been jailed without outright Soviet retaliation since 1978.

Moscow's reaction to Zakharov's arrest appears to be a mirror image of Washington's reaction to Zakharov's espionage activities. And to Soviet leaders, the retaliatory arrest of Daniloff may have seemed as logical as the arrest of Zakharov appeared to the White House.

Zakharov's arrest came at a time when the Soviet espionage network had taken a yearlong battering, beginning with the breakup of the Walker spy ring in the United States and extending through a string of KGB defections. U.S. officials believe that the KGB suffers a serious morale problem.

Officials say the Soviets may have been angered by the initial refusal of a federal magistrate to grant bail to Zakharov. But they noted that New York attorney Martin Popper—Zakharov's lawyer, as well as Enger and Chernyayev's attorney in 1978—inexplicably did not consult with the State Department on bail matters before going before the court, as protocol dictates.

Closed the Door

Enger and Chernyayev initially were denied bail but, after pressure from then-Secretary of State Cyrus R. Vance, were quickly released to the Soviet ambassador and spent little time in jail before being swapped. In Zakharov's case, "the defense counsel closed the door" to granting bail "before it could be opened," said William Baker, assistant FBI director for congressional and public affairs.

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Other American officials say the Soviets may have felt it vital to reassure KGB agents abroad that they would not be left twisting in the wind should they be caught in the act. "Zakharov's a peon," one U.S. official reasoned. "But he's one of their peons."

Moreover, Soviet officials disliked Daniloff, whose own grandfather held a high post in czarist Russia's military machine and whose fluency in Russian gave him more contacts with Soviet citizens than many of his Western press colleagues had. Arresting him was a delicious way to gain a lever for Zakharov's release while muzzling an increasingly sophisticated Western reporting corps.

The relatively muted American outcry over Crawford's 1978 arrest—and the Reagan Administration's own strident attacks on the press for gathering and publishing classified information—may also have suggested to the Soviets that Daniloff's seizure would stir no alarm, one government intelligence source said.

Many government officials appear to believe that both super-

powers have been sufficiently chastened by the Zakharov controversy that further serious miscalculations—if, in fact, they were miscalculations—are unlikely.

"It could disappear overnight. I think there is a lot of effort right now to make it disappear," the intelligence official said. "I don't think it is going to end here and now. There'll be back and forth, tit for tat, until both sides think their honor is defended, and then there will be some sort of release."

And U.S. officials will add another asterisk to their well-thumbed history of Soviet-American counterintelligence battles.

"When it comes to espionage," one government source said, "the rules are only cited by the Soviets when they get caught. In short, there are no rules of the game."